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USSR - MERCHANT SHIPPING1. POLICIES

1. Planning with respect to merchant shipping is controlled by the Soviet state. Merchant shipping in the USSR is an instrument of national policy. As is the case with all elements of the Soviet economy, merchant shipping can only justify its existence to the extent that it furthers the over-all program of the Party.

The official statement of the Soviet Government that the volume of sea-going freight shall be increased to 220 per cent of the pre-war level by 1950 and the merchant marine increased by 600,000 tons is noteworthy in the light of the Soviet position in world trade. While the value of Soviet exports and imports moving by ocean-going trade appears to have accounted for only about one per cent of the value of total world shipping traffic, Soviet-flag vessels constituted, in 1939, about two per cent of the world ocean-going merchant fleet. This raises the question of whether the Soviet merchant marine is already larger than Soviet world trade justifies.

Assuming that world construction programs are sufficient to replace vessels scheduled for the scrap heap, the merchant fleet of the world in 1950 will be about 20 per cent larger than the 1939 fleet. In contrast to this over-all increase, Soviet plans call for ship construction equivalent to about 70 per cent of their present fleet. In the absence of indications that the USSR intends to abandon its relative isolation from world trade, it must be assumed that domestic considerations have dictated these expansion plans. Some increase in Soviet coastwise traffic will undoubtedly result from the ambitious industrialization and relocation features of the current Five-Year Plan. Additional new tonnage can be absorbed through replacement of obsolete tonnage. A large part of the incentive for the expanded merchant marine, however, must stem from strategic requirements and prestige considerations. The USSR, as a major power, dislikes to parade a minor merchant marine before the world. An ample factor of safety in the size of its merchant marine, moreover, would be of great importance, if part of its merchant fleet were to be sacrificed in the course of a future military eventuality.

2. Prior to World War II, the USSR had been a secondary power, possessing warm water ports, the approaches to which it could not certainly control in case of hostilities with major powers. This and other limitations prevented it from becoming a sea power, and overseas military adventures were beyond its capabilities. There was, therefore, no place for global military or political planning in its merchant shipping policy. As a result of World War II, however, the USSR has become a major power, and has launched a program of industrial expansion which, if successful, will vastly increase its capabilities for major construction projects, such as the development of a powerful Navy, a large air force, and an extensive merchant marine. While its position with respect to warm water ports has no certainty of solution, the USSR can at least visualize the possibility of political developments improving its position in this regard. Thus, global political and military analysis can begin to be applied to planning in the field of

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merchant shipping, although the basic weakness of the USSR in overseas military operations cannot be quickly changed. On the other hand, local situations adjacent to the USSR now call for direct political-military planning in merchant shipping affairs. Soviet development of the Northern Sea Route, its improved position in the Baltic, the elimination of Japan, the Soviet contractual position in the Manchurian port, and tension in the Black Sea have all created situations in which the advantage of a merchant marine is clearly indicated. Military-political considerations, therefore, are now undoubtedly reflected in merchant marine planning, in spite of the fact that merchant shipping projects for the immediate future will not basically alter the Soviet world position in shipping.

From the point of view of purely domestic politics, Soviet merchant shipping policy is dominated by political considerations, because all planned activity in the Soviet Union is a manifestation of the Party's political will.

3. Because of the political organization of the Soviet Union, the question of state subsidies for ship construction and operation is academic. Subsidies are generally defined as extra-economic payments or privileges granted by a state to private operators for the performance of a service deemed to be in the public interest. It is apparent, therefore, that there can be no Soviet subsidies in the usual sense for the reason that there are no private operators. In a broader sense, all shipping activity in the USSR is subsidized, as it is controlled by the State, and can be maintained, regardless of its degree of economic self-sufficiency, if it serves the State interest.
4. The Soviet Union is actively engaged in expanding domestic construction of merchant vessels. Present plans call for doubling 1940 shipyard output by 1950; one yard building freighters is to be constructed on the Black Sea and another for trawlers and sea-going tugs in the Baltic. There is no apparent state policy forbidding the use of foreign-built vessels, despite the drive toward Soviet self-sufficiency. In the pre-war years, there was considerable construction for Soviet account in foreign shipyards, notably Germany, Denmark, France and the Netherlands. At the present time, however, little such construction appears to be under way. Soviet use of foreign vessels is confined to vessels operated under charter party agreements and the vessels aggregating 603,400 gross tons procured under Lend-Lease from the US. The merchant marine of the USSR is manned by Soviet nationals.
5. Soviet policy with respect to international merchant shipping has evidenced general indifference toward multilateral agreements. Numerous bilateral agreements have been concluded, however, which include understandings on shipping problems as a part of economic arrangements. The Soviet Union is not a party to the various international agreements relating to such maritime problems as rates, working conditions, vessel classification, etc. (The USSR, however, was signatory to some of the

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pre-war Conventions regarding ocean safety, for example, the 1929 London Convention on Safety at Sea.) Since private operation of merchant shipping does not exist in the Soviet Union, there are no inter-company agreements. On the other hand, shipping agreements exist between State agencies.

The most important international question facing the USSR in the field of merchant shipping is the disposition of the 603,400 tons of US Lend-Lease shipping still operated by the Soviet Union. This fleet is equivalent to about 50 per cent of the USSR's own fleet, and its disposition is a matter of prime importance to the USSR strategically, as well as economically.

6. Merchant shipping and civil aviation are administered by separate ministries, but it appears that their functions are actively integrated in over all planning by the State Planning Commission (Gosplan). While the Soviet Union favors freedom of the seas in principle, it frequently enforces restrictions on foreign shipping using its ports. The USSR, furthermore, has attempted to secure civil aviation rights into foreign areas, although it does not permit airlines of even its satellite states to fly into Soviet territory.
7. Schedules of shipping lines and air communications are presumably coordinated in remote areas of the USSR. The state agency operating merchant vessels, however, does not operate air carriers, and there is no administrative control exercised by either medium over the other.

B. ORGANIZATION

1. State agencies concerned with the merchant marine or closely related aspects of it are:

State Planning Commission
Ministry of the Merchant Marine
Ministry of the Shipbuilding Industry
Ministry of Trade

2. The Ministry of the Merchant Marine is specifically charged with operation and maintenance of the Soviet merchant fleet, including its operations in the Caspian Sea. The Ministry of the Shipbuilding Industry is responsible for planning and construction of the merchant fleet; the Ministry of Trade is responsible for providing both foreign suppliers and foreign outlets. Merchant marine planning is included in over-all national planning undertaken by the State Planning Commission. Supplementing the official USSR Government agencies are Party organizations which exercise direct influence on administration at all levels. Major decisions, in fact, are taken within the Party's Politburo.
3. The Ministries mentioned above are in themselves separate agencies dealing with specific problems, but all are subject to over-all control of their economic aspects by the State Planning Commission. The Ministry of the Merchant Marine has no direct connection with Ministries responsible for other media of

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transport. The extent of conflict between the agencies dealing with transportation is not known. However, since Soviet ocean-going vessels also ply the inland waterways, and operations on the Caspian Sea, an inland waterway, are under the jurisdiction of the Ministry of the Merchant Marine, it is apparent that there is some overlapping which provides areas of potential conflict.

4. The structures of the agencies mentioned in B-1 have been repeatedly changed in the course of the various economic planning programs adopted since 8 February 1918, when the merchant fleet of the country and subsidiary shipping property were taken over by the state. (Vessels which were used as a direct means of livelihood, those belonging to cooperative enterprises, those owned by municipalities or states, and those in certain other minor categories were excepted.) Some of this requisitioned fleet was handed over to the various states and state agencies for operation, but the bulk of the fleet was put under the control of a section of the Commissariat of Communications. In 1930, the Soviet trend toward a highly controlled and fully socialized economy was reflected in the establishment of the Commissariat of Water Transport, which was created to assume control of all forms of water transport. In March 1946, jurisdiction over inland water transport having been removed, the Commissariat was renamed the Ministry of the Merchant Marine. There is no evidence of impending further changes in merchant shipping organization.

5. To ask whether the agencies administering Soviet merchant shipping policy are operating in the public interest is tantamount to asking whether the Communist Party is ruling the USSR in the true interests of the Soviet people, which is beyond the scope of this study. The question of administrative and operational efficiency is susceptible of more objective treatment. The Soviet merchant marine has unquestionably raised the efficiency of its equipment and personnel in recent years through the acquisition of improved vessels and the emphasis on extensive training programs. On the other hand, the shortage of port equipment and extensive war damage have kept over-all efficiency far below the standards of the leading maritime nations. The bureaucratic efficiency of the merchant shipping agencies is undoubtedly similar to that of the Soviet Government generally, which is characterized by an unwieldy system of numerous agencies (52 Ministries are officially listed) contending with obvious problems of overlapping, and subject to numerous factors which retard the processes of administration.

C. ADMINISTRATION

1. The establishment of new scheduled shipping services between the USSR and specific foreign ports is under the complete jurisdiction of the State. The usual economic aspects of such questions, carefully weighed in countries with free competition, are subordinated in the USSR to over-all political and economic planning.

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2. The procedure for the determination of freight rates for Soviet Merchant Marine traffic falls into two categories. Rates on goods hauled for the account of one of the state agencies are determined by negotiation between the agencies concerned. The State Planning Commission, however, has the authority to review and to revise any rates established at lower levels. The power to establish freight rates, therefore, may be said to reside in the State Planning Commission. When Soviet bottoms are not available and foreign charters are resorted to, the rate negotiations are carried out by the Ministry of the Merchant Marine and the foreign operators concerned. In the rare cases where Soviet vessels operate between two foreign ports for foreign account, world freight rates are applied.
3. Since the merchant marine is State-owned, there is no competition in the true sense between merchant marine operators. The crews of the various vessels do, however, engage in vigorous "Socialist competition" to attain official approbation of their efficiency in seamanship and freight handling, in the fulfillment of freight traffic plans and the lowering of costs. The State has found it advantageous to offer medals, prizes, etc. for the attainment of stated objectives. It is state policy to avoid competition between the media of transportation, if such competition would adversely affect State planning.
4. Safety and inspection rules and their enforcement are the responsibility of the Division of Navigation Inspection in the Ministry of the Merchant Marine. Accidents are investigated in an orthodox manner with investigations relying to a considerable degree upon eyewitness accounts. Failure to observe safety regulations invites serious penalties.
5. The government maintains numerous schools throughout the country for the training of shipping technicians as part of the plan for Ministry of Labor Reserves. This program, inaugurated in 1940, is being currently extended. Graduates of these schools with training in shipping are assigned directly to jobs according to their specialization. Training of technicians is given to those with the equivalent of a high school education after selection of students is made on a basis of previous scholastic record and aptitudes. Trade schools also enroll boys who have only finished elementary schools, but wish to prepare for a career on shipboard, usually not in a highly skilled technical capacity. All Soviet labor is supposed to be documented, and written evidence of education and previous work record ordinarily is demanded before applicants are accepted for any position.
6. (See A-5)
7. All enterprises are required to submit exhaustive reports on many phases of their activities. These reports are used (a) by the enterprises themselves, (b) by the State Planning Commission, (c) for the preparation of whatever statistical and economic data the USSR is willing to release, including that for propaganda purposes, and (d) for the implementation of the Soviet system of incentive rewards.

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